



WEEKLY ECONOMIC DIGEST

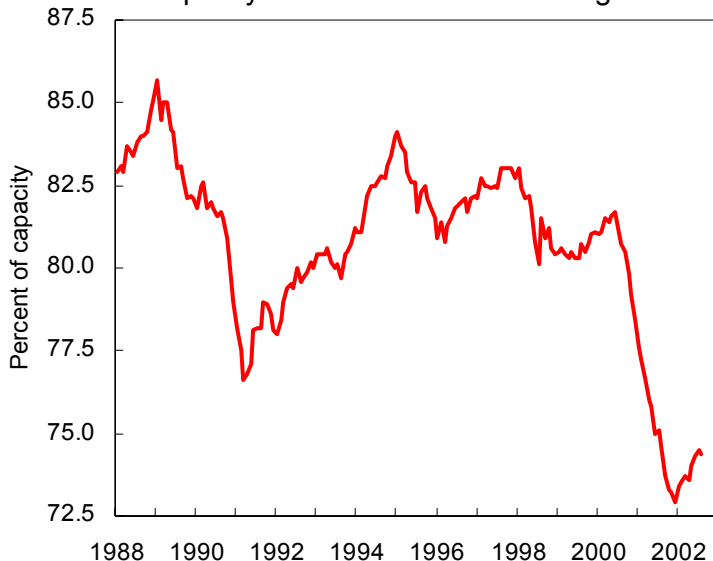


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – VICE CHAIRMAN

September 24, 2002

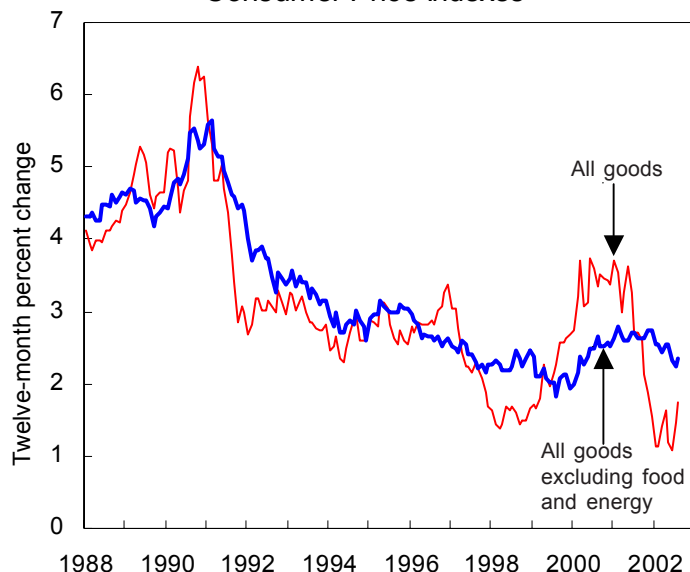
The Economy Remains Sluggish

Capacity Utilization in Manufacturing



Source: Board of Governors, Federal Reserve System.

Consumer Price Indexes



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Industrial production fell in August.** Output at the nation's factories, mines, and utilities dropped 0.3 percent last month, the first decline in production since last December. Capacity utilization in manufacturing averaged 74.4 percent in August, about the same as in the previous two months. That factory operating rate remains well below the trough reached in the 1990-91 recession.
- **Housing starts dropped again.** The number of new private housing units started fell for the third consecutive month in August. Although still relatively high by historical standards, single-family housing starts have now dropped to their lowest level since last November.
- **Household net worth fell in the second quarter.** The difference between assets and liabilities in the household sector fell by 3.4 percent in the second quarter. A decline in the value of equities more than offset a rise in the value of household real estate. Continued declines in household wealth could depress future consumer purchases.
- **The CPI ticked up but inflation remains contained.** The full consumer price index (CPI) and the core index (which excludes food and energy prices) increased by 0.3 percent in August. However, the core CPI was only 2.4 percent above its level last August, which is within the 2 to 2½ percent range that has been the norm this year.
- **The Fed is unlikely to change interest rates today.** The Federal Reserve has not changed its interest rate target since last December, and it is unlikely to do so at today's meeting. Last month, however, the Fed announced that it viewed the near-term risks to the economic outlook to be predominantly adverse. The economic outlook has not improved since then, and the Fed is likely to maintain its "bias" toward easing.

Economy At A Glance	Aug	Jul	Jun	May	2002 Qtr 2	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001	2000
Economic Activity										
Real GDP (% growth)*					1.1	5.0	2.7	-0.3	0.3	3.8
Industrial Production (% growth)	-3.5	4.9	7.4	6.2	4.1	2.6	-6.7	-4.7	-3.9	4.5
Capacity Utilization (Level, %)	76.0	76.2	76.0	75.6	75.6	75.0	74.7	76.2	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.7	5.9	5.9	5.8	5.9	5.6	5.6	4.8	4.8	4.0
Housing Starts (Thousands)	1609	1645	1692	1742	1667	1725	1573	1603	1603	1573
Real Disposable Personal Income (% growth)*		0.0	7.4	6.2	3.7	14.6	-7.6	10.5	1.8	4.8
Retail Sales (% growth)	9.4	13.9	17.8	-11.6	4.3	-2.4	13.1	-1.2	3.8	6.7
Personal Saving Rate (Level, %)*		3.4	4.2	4.0	3.9	3.5	0.8	4.0	2.3	2.8
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)	3.7	1.2	1.2	0.0	3.4	1.4	-0.3	0.8	2.8	3.4
Core CPI-U Inflation (% growth)	3.7	2.4	1.2	2.4	2.2	2.3	2.7	2.7	2.7	2.4
Compensation per Hour (% growth)					4.4	3.6	4.2	3.7	4.1	4.5
Output per Hour (% growth)					1.5	8.6	7.3	2.1	1.1	2.9
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.6	1.7	1.7	1.7	1.7	1.7	1.9	3.2	3.4	5.8
T-Note Rate, 10-years (Level, %)	4.3	4.7	4.9	5.2	5.1	5.1	4.8	5.0	5.0	6.0
Federal Funds Rate (Level, %)	1.7	1.7	1.8	1.8	1.8	1.7	2.1	3.5	3.9	6.2
Dow Jones Industrial Avg (Index Level)	8685	8617	9492	10080	9913	10105	9641	9934	10189	10735

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Poverty and Income Measures, 2001** [Release: Tuesday, September 24]
- **Federal Open Market Committee Meeting** [Tuesday, September 24]
- **Factory Shipments, Inventories, and Orders of Durable Goods, August (Advance)** [Release: Thursday, September 26]
- **Gross Domestic Product, Second-quarter 2002 (Final)** [Release: Friday, September 27]
- **Personal Income and Spending, August** [Release: Monday, September 30]